

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Southfield Township	County Oakland
Audit Date March 31, 2004	Opinion Date May 18, 2004	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

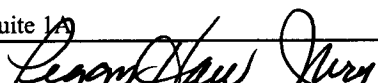
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1-968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91 ], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 1 00% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 E. Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature  Peggy Haw Jury, CPA			

**Annual Financial Report**

**Southfield Township  
Oakland County, Michigan**

**Fiscal Year Ended March 31, 2004**

*with Independent Auditors' Report*

**Southfield Township  
Annual Financial Report  
For the Fiscal Year Ended March 31, 2004**

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**Southfield Township  
Annual Financial Report  
For the Fiscal Year Ended March 31, 2004**

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## **Introductory Section**

**Southfield Township  
List of Elected Officials  
March 31, 2004**

SUPERVISOR

Raymond Mills

CLERK

Sharon Tischler

TREASURER

Nancy Buschmohle

TRUSTEES

John Breen  
I. Jack Fahlen  
Richard Holloway  
J. Whitfield Jones

*Independent Auditors' Report*

Members of the Township Board  
Southfield Township  
Oakland County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southfield Township, Michigan (Township) as of March 31, 2004, and for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southfield Township, Michigan at March 31, 2004, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Certified Public Accountants  
Flint Office

May 18, 2004

## **Financial Section**



## **Management's Discussion and Analysis**

## Management's Discussion and Analysis

As management of the Southfield Township, we offer readers of the Southfield Township's financial statements this narrative overview and analysis of the financial activities of the Southfield Township for the fiscal year ended March 31, 2004.

### Financial Highlights

- The assets of Southfield Township exceeded its liabilities at the close of the most recent fiscal year by \$1,308,934 (net assets).
- Of this amount, \$1,020,465 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$25,196. Approximately \$22,500 is attributable to the Rummell Drain repairs.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Southfield Township's basic financial statements. The Southfield Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Table 1 summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1. Major Features of the Southfield Township's Government-wide and Fund Financial Statements**

Type of Statements	Government-wide	Governmental Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's component units	The activities of the Township that are not fiduciary, such as tax and trust and agency	Instances in which the Township is the trustee or agent for someone else's resources, such as the retirement plan for Township employees
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus

**Table 1. Major Features of the Southfield Township's Government-wide and Fund Financial Statements – (continued)**

Type of Statements	Government-wide	Governmental Funds	Fiduciary Funds
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both short-term and long-term, the Township's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Southfield Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Southfield Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Southfield Township is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Southfield Township that are principally supported by taxes and intergovernmental revenues (governmental activities).

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Southfield Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Southfield Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Southfield Township maintains 4 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund fund, of which is considered to be a major fund. Data from the other 3 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Southfield Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 8-9 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Southfield Township's own programs.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-25 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 30-34 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Southfield Township, assets exceeded liabilities by \$1,308,934 the close of the most recent fiscal year (see Table 2). This is the initial year of GASB 34 implementation; therefore, comparative data is not available for the Government-wide financial statements. Comparative data will be presented in subsequent years.

Table 2  
Southfield Township's Net Assets

	<u>Governmental Activities</u>
Current and other assets	\$1,124,056
Capital assets	<u>202,505</u>
Total assets	<u>1,326,561</u>
Current liabilities	<u>17,627</u>
Net assets:	
Invested in capital assets	202,505
Restricted	85,964
Unrestricted	<u>1,020,465</u>
Total net assets	<u><u>\$1,308,934</u></u>

An additional portion of the Southfield Township's net assets (7%) represents resources that are subject to internal restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1,020,465 (78% of net assets), may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Southfield Township is able to report positive balances in all three categories of net assets, for the government as a whole, and for its separate governmental activities. The same situation held true for the prior fiscal year. The governmental activities' net assets decreased by \$25,196 during the current fiscal year.

### Financial Analysis of the Government's Funds

As noted earlier, the Southfield Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Southfield Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Southfield Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Southfield Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,026,465, while total fund balance reached \$1,106,429.

Table 3  
Southfield Township's Changes in Net Assets

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for services	\$ 15,688
General revenues:	
Property taxes	518,679
Interest	16,213
State sales tax	1,972
Other	<u>910</u>
Total revenues	<u>553,462</u>
Expenses:	
General government	<u>578,658</u>
Decrease in net assets	(25,196)
Net assets – beginning of year	<u>1,334,130</u>
Net assets – end of year	<u><u>\$1,308,934</u></u>

## **General Fund Budgetary Highlights**

The final amended General Fund expenditures budget was \$22,600 greater than the original budget. The increase in appropriations can be briefly summarized as follows:

- \$22,600 increase in general government activities for Rummell drain repairs

## **Capital Assets and Debt Administration**

**Capital assets.** The Southfield Township's investment in capital assets for its governmental and business type activities as of March 31, 2004 amounts to \$202,505 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment. Additional information on the Southfield Township's capital assets can be found in note IV. C. on page 23 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

**Economic Factors.** The unemployment rate for Oakland County is currently 5.6%, which is an increase from a rate of 5.2% percent a year ago. The current state average unemployment rate is 7% (November 2003) down from the worst-in-the-nation rate of 7.6% of previous months. The recent decline in the state unemployment rate is thought to be due to people leaving the workforce. Nationwide, the national average rate is 5.9% (November 2003).

The total assessed and taxable value of property at December 31, 2003 in Southfield Township was \$1,278,908,315 and \$935,429,027 respectively.

## **Requests for Information**

This financial report is designed to provide a general overview of Southfield Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Southfield Township, 18550 West 13 Mile Road, Southfield, Michigan 48025-5262.

## **Basic Financial Statements**

## **Government-wide Financial Statements**



**Southfield Township  
Statement of Net Assets  
March 31, 2004**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Cash and equivalents	\$ 55,813
Investments	972,918
Receivables:	
Accounts	75,255
Due from other governments	20,070
Capital assets (net of accumulated depreciation)	<u>202,505</u>
Total assets	<u><u>\$ 1,326,561</u></u>
<b>Liabilities and Net Assets</b>	
Liabilities:	
Accounts payable	\$ 10,051
Accrued liabilities	5,273
Due to other governments	<u>2,303</u>
Total liabilities	<u>17,627</u>
Net assets:	
Invested in capital assets	202,505
Restricted for:	
Special revenue	85,964
Unrestricted	<u>1,020,465</u>
Total net assets	<u>1,308,934</u>
Total liabilities and net assets	<u><u>\$ 1,326,561</u></u>

*See notes to financial statements.*

**Southfield Township  
Statement of Activities  
For the Year Ended March 31, 2004**

<b>Functions\Programs</b>	<b>Program revenues</b>		<b>Net (Expense ) Revenue and Changes in Net Assets</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Governmental Activities</b>
<b>Primary government</b>			
Governmental activities:			
General government	\$ 578,658	\$ 15,688	\$ (562,970)
Total governmental activities	578,658	15,688	(562,970)
General revenues:			
Property taxes			518,679
State sales tax			1,972
Interest			16,213
Unrestricted earnings			910
Total general revenues			537,774
Change in net assets			(25,196)
Net assets - beginning			1,334,130
<b>Net assets - ending</b>			<b>\$ 1,308,934</b>

*See notes to financial statements.*

## **Fund Financial Statements**

**Southfield Township  
Balance Sheet  
Governmental Funds  
March 31, 2004  
With Comparative Totals for March 31, 2003**

	<b>Governmental Fund Types</b>		<b>Totals</b>	
	<b>General</b>	<b>Special Revenue</b>	<b>2004</b>	<b>2003</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 4,389	\$ 51,424	\$ 55,813	\$ 60,429
Investments	938,383	34,535	972,918	941,319
Receivables	49	-	49	49
Due from other funds	75,201	5	75,206	116,739
Due from other governments	20,070	-	20,070	22,072
Total assets	\$ 1,038,092	\$ 85,964	\$ 1,124,056	\$ 1,140,608
<b>Liabilities</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 10,051	\$ -	\$ 10,051	\$ 6,362
Other accrued liabilities	5,273	-	5,273	3,593
Due to other governments	2,303	-	2,303	2,382
Total liabilities	17,627	-	17,627	12,337
<b>Equity and Other Credits</b>				
<b>Fund balance:</b>				
Reserved for MESC distribution	-	51,424	51,424	50,275
Reserved for capital improvements	-	12,395	12,395	19,166
Reserved for capital purchases	-	22,145	22,145	21,945
<b>Unreserved:</b>				
Designated for subsequent year's expenditures	94,070	-	94,070	51,270
Undesignated	926,395	-	926,395	985,615
Total equity and other credits	1,020,465	85,964	1,106,429	1,128,271
Total liabilities, equity, and other credits	\$ 1,038,092	\$ 85,964	\$ 1,124,056	\$ 1,140,608

*See notes to financial statements.*

**Southfield Township  
Reconciliation of the Fund Balance as Reported in the  
Governmental Balance Sheet to the Statement of Net Assets  
For the Year Ended March 31, 2004**

Total Governmental Funds Fund balance as reported in the Balance Sheet	
Governmental Funds	\$ 1,106,429
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>202,505</u>
Net Assets - Governmental Activities	<u><u>\$ 1,308,934</u></u>

**Southfield Township**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended March 31, 2004**  
**With Comparative Totals for March 31, 2003**

	General	Other Governmental Funds	Totals (Memorandum only)	
			2004	2003
<b>Revenues:</b>				
Taxes	\$ 518,679	\$ -	\$ 518,679	\$ 499,423
Licenses and permits	5,758	-	5,758	5,772
Intergovernmental:				
State	1,972	-	1,972	2,097
Charges for services	9,930	-	9,930	9,930
Interest	15,460	753	16,213	30,607
Miscellaneous	910	-	910	1,503
<b>Total revenues</b>	<b>552,709</b>	<b>753</b>	<b>553,462</b>	<b>549,332</b>
<b>Expenditures:</b>				
Current:				
General government:				
Township Board	8,558	-	8,558	9,051
Supervisor	24,705	-	24,705	24,724
Elections	3,233	-	3,233	25,729
Assessor	109,057	-	109,057	105,049
Clerk	145,437	-	145,437	149,241
Treasurer	153,084	-	153,084	133,710
Township hall and grounds	16,116	-	16,116	16,252
Animal control	68,553	-	68,553	65,259
Other	39,616	6,945	46,561	38,390
<b>Total expenditures</b>	<b>568,359</b>	<b>6,945</b>	<b>575,304</b>	<b>567,405</b>
Deficiency of revenues over expenditures	(15,650)	(6,192)	(21,842)	(18,073)
<b>Other financing sources (uses):</b>				
Operating transfers in	-	770	770	6,770
Operating transfers out	(770)	-	(770)	(6,770)
<b>Total other financing sources (uses)</b>	<b>(770)</b>	<b>770</b>	<b>-</b>	<b>-</b>
Deficiency of revenues and other sources over expenditures and other uses	(16,420)	(5,422)	(21,842)	(18,073)
Fund balance at beginning of year	1,036,885	91,386	1,128,271	1,146,344
<b>Fund balance at end of year</b>	<b>\$ 1,020,465</b>	<b>\$ 85,964</b>	<b>\$ 1,106,429</b>	<b>\$ 1,128,271</b>

See notes to financial statements.

**Southfield Township  
Reconciliaiton of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended March 31, 2004**

Amounts reported for governmental activities in the statement of activities (page 9)  
are different because:

Net Change in fund balances - total governmental funds (page 12)	\$ (21,842)
--	-------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

(3,354)
<u>\$ (25,196)</u>

*See notes to financial statements.*

**Southfield Township  
Statement of Net Assets  
Fiduciary Funds  
March 31, 2004  
With Comparative Totals for March 31, 2003**

	<b>Pension Trust Fund</b>	<b>Agency Funds</b>	<b>T o t a l s</b>	
			<b>2004</b>	<b>2003</b>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 72,188	\$ 72,188	\$ 122,875
Investments	190,501	-	190,501	134,816
Taxes receivable	-	3,952	3,952	4,164
Total assets	\$ 190,501	\$ 76,140	\$ 266,641	\$ 261,855
<b>Liabilities and Net Assets</b>				
<b>Liabilities:</b>				
Due to other funds	\$ -	\$ 75,206	\$ 75,206	\$ 116,739
Undistributed taxes	-	934	934	10,300
Total liabilities	-	76,140	76,140	127,039
<b>Net Assets:</b>				
Reserved for employees' retirement system	190,501	-	190,501	134,816
Total liabilities and net assets	\$ 190,501	\$ 76,140	\$ 266,641	\$ 261,855



**Southfield Township  
Statements of Changes  
In Plan Assets  
Pension Trust Fund  
For the Years Ended March 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Additions:</b>		
Employer contributions	\$ 17,108	\$ 16,704
Investment income (loss)	40,747	(25,295)
Total additions (losses)	57,855	(8,591)
<b>Deductions:</b>		
Trustee fees	2,170	1,848
Net increase (decrease)	55,685	(10,761)
Net assets held in trust for pension benefits at beginning of the year	134,816	145,255
Net assets held in trust for pension benefits at end of year	<u>\$ 190,501</u>	<u>\$ 134,494</u>

*See notes to financial statements.*

## **Notes to Financial Statements**

**Southfield Township**  
**Notes to Financial Statements**  
**March 31, 2004**

**I. Summary of significant accounting policies**

The accounting policies of the Southfield Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Southfield Township.

**A. Reporting entity:**

Southfield Township is located in Oakland County and operates under an elected form of government. The accounting policies of Southfield Township conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Southfield Township does not have any component units.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund is reported as a separate column in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Southfield Township**  
**Notes to Financial Statements**  
**March 31, 2004**

**I. Summary of significant accounting policies – (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation – (continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

Pension Trust fund account for the activities to pay retirement benefits for Township retirees. This fund accumulates resources for pension benefits financed by employer contributions.

Agency Fund accounts for assets held by the Township as an agent for other funds and other governments.

Pension Trusts and Agency funds are reported as fiduciary funds and are not included in the government wide Statement of Net Assets and Statement of Activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

**Southfield Township  
Notes to Financial Statements  
March 31, 2004**

**I. Summary of significant accounting policies – (continued)**

**D. Assets, liabilities, and net assets or equity**

**1. Deposits**

The Township's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**2. Investments:**

Investments are stated at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

**3. Receivables and payables**

In general, outstanding balance between funds are reported as "due to/from other funds", fiscal year are referred to as "advances to/from other funds".

No allowance exists as management believes all receivables to be collectible.

**4. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., drains and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired during the fiscal year ended March 31, 2004. Prior to the implementation of GASB No. 34, records on these assets were not maintained. The Township is not required to retroactively determine costs and accumulated depreciation for infrastructure assets acquired prior to April 1, 2003 and record those assets on the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**Southfield Township  
Notes to Financial Statements  
March 31, 2004**

**I. Summary of significant accounting policies – (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

**4. Capital assets – (continued)**

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	39
Office equipment	5
Computer equipment	3-5

**5. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**6. Property tax**

The Township levies property taxes on December 1 each year. These taxes become liens on the property at that date. Township taxes are collected without penalty from December 1 through February 14 each year. Taxes are also collected for other entities (i.e., school districts) from July 1 through September 14, without penalty. The delinquent real property taxes of the Township are purchased by the County of Oakland. The delinquent personal property taxes of the Township are turned over to County of Oakland for collections and upon settlement, the county reimburses the Township. All real property taxes assessed, and personal property taxes collected, have been recognized as revenue for the current year. Uncollected personal property taxes have been shown as taxes receivable and deferred revenue.

**II. Reconciliation of government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets.

Capital assets	<u>\$202,505</u>
Net adjustment to increase <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u><u>\$202,505</u></u>

**Southfield Township  
Notes to Financial Statements  
March 31, 2004**

**II. Reconciliation of government-wide and fund financial statements – (continued)**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$ 10,381
Depreciation expense	<u>(13,736)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (3,355)</u></u>

**III. Stewardship, compliance, and accountability**

**Budgetary information**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed operating budget at a public hearing in February for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund and Special Revenue Fund.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted on a departmental basis through passage of a resolution and in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management-control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Budget appropriations lapse at year end.
7. The original budget was amended during the year.

**Southfield Township**  
**Notes to Financial Statements**  
**March 31, 2004**

**IV. Detailed notes on all funds**

**A. Deposits and investments**

Deposits:

The Township's cash and cash equivalents consists of savings accounts, checking accounts, and certificates of deposit. At year end, the carrying amount of the Township's deposits excluding petty cash of \$450 was \$580,558, and the bank balance was \$583,401. The bank balance was above the book balance due to outstanding checks at year end. Of the bank balance, 100% or \$583,401 was covered by federal depository insurance. Michigan law prohibits collateralization of governmental deposits. Five certificates of deposit totaling \$500,000 with initial maturities of 90 days to 172 days are included in investments.

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 55,813	\$ 72,188	\$128,001
Investments	972,918	190,501	1,163,419
	<u>\$1,028,731</u>	<u>\$262,689</u>	<u>\$1,291,420</u>

Investments:

In accordance with Michigan Public Act 20 of 1943, as amended, M.C.L. 129.91, the surplus funds of the Township of Southfield may only be invested as follows:

- a. In bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the State under a law or a rule of this State or the United States.
- c. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The investment pools organized under the local government investment pool act, 1985 P.A. 121, M.C.L. 129.141 to 129.150.

The Township Board has adopted the above as its investment policy and additionally approved the following as authorized depositories: Comerica Bank, Bank One, Standard Federal, Bank of Bloomfield Hills, Huntington Bank, Flagstar Bank, and Fifth Third Bank.



**Southfield Township**  
**Notes to Financial Statements**  
**March 31, 2004**

**IV. Detailed notes on all funds – (continued)**

**A. Deposits and investments – (continued)**

Investments: – (continued)

The Township's investments are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and registered investments for which the securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name.

	Category			Carrying Amount	Market Value
	<u>1</u>	<u>2</u>	<u>3</u>		
Municipal Investment Funds	\$ -	\$ -	\$124,910	\$124,910	\$124,910
	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$124,910</u>		
Pension plan <sup>(1)</sup>				190,501	190,501
Total investments				<u>\$315,411</u>	<u>\$315,411</u>

(1) Pension assets are deposited with a major life insurance company. All investments are participant self-directed as to investment options. Therefore, they are not separately classified by risk.

**B. Receivables**

Receivables as of year end for the Township's individual major fund and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Nonmajor and Fiduciary Funds</u>	<u>Total</u>
Receivables:			
Taxes	\$ -	\$ 3,952	\$ 3,952
Accounts	49	-	49
Gross receivables	49	3,952	4,001
Less: allowance for uncollectibles	-	-	-
Net total receivables	<u>\$ 49</u>	<u>\$ 3,925</u>	<u>\$ 4,001</u>

**Southfield Township**  
**Notes to Financial Statements**  
**March 31, 2004**

**IV. Detailed notes on all funds – (continued)**

**C. Capital assets**

Capital asset activity for the year ended March 31, 2004 was as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,350	\$ -	\$ -	\$ 6,350
Total capital assets, not being depreciated	6,350	-	-	6,350
Capital assets, being depreciated:				
Buildings	280,780	6,775	4,407	283,148
Improvements other than buildings	4,407	-	-	4,407
Machinery and equipment	197,619	3,606	4,672	196,553
Total capital assets being depreciated	482,806	10,381	9,079	484,108
Less accumulated depreciation for:				
Buildings	101,465	7,198	4,407	104,256
Machinery and equipment	181,831	6,538	4,672	183,697
Total accumulated depreciation	283,296	13,736	9,079	287,953
Total capital assets, being depreciated, net	199,510	(3,355)	-	196,155
Governmental activities capital assets, net	\$205,860	\$ (3,355)	\$ -0-	\$202,505

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

Current:

Supervisor	\$ 38
Clerk	574
Treasurer	2,018
Building and ground	11,106

Total depreciation expense - governmental activities \$ 13,736

**Southfield Township  
Notes to Financial Statements  
March 31, 2004**

**IV. Detailed notes on all funds – (continued)**

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of March 31, 2004 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>				
General Fund	Tax Fund	\$ 75,216				
Capital Improvements	General	5				
Tax Fund	General	933				
			<u>Transfer In</u>			
			<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Transfer out:						
General fund			\$ -	\$ 770	\$ -	\$ 770
Total transfers out			\$ -0-	\$ 770	\$ -0-	\$ 770

Transfers between funds were primarily for operating purposes.

**V. Other information**

**A. Deferred compensation**

The Township offers its employees one of two Deferred Compensation Plans in accordance with Internal Revenue Code Section 457. The plans, available to substantially all Township employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseen emergency.

The Township's plan administrators, ICMA and ING, hold the assets of the plans within trusts. As a result, the plans assets are not reflected on the financial statements since the Township has no fiduciary or administrative responsibility for these plans.

**B. Retirement plans and other post-employment benefits**

Retirement plan:

The Township provides pension benefits for all of its full-time employees, all permanent and part-time employees working 1,000 hours or more a year, through the Manufacturer's Life Insurance Company. The Township's pension plan is a defined contribution plan whereby benefits received upon termination or retirement depend solely on amounts contributed to the plan plus investment earnings. The Township is required to contribute a fixed percentage (10%) of gross wages of the participants to the plan.

**Southfield Township  
Notes to Financial Statements  
March 31, 2004**

**V. Other information – (continued)**

**B. Retirement plans and other post-employment benefits – (continued)**

Retirement plan: – (continued)

The Township's contribution to the plan for the year was \$17,433. The total contributions currently administered by the Manufacturers Life Insurance Company are \$190,501. The current year covered payroll was \$173,704, and the Township's total payroll amounted to \$216,276.

Post employment benefits:

All eligible elected officials, full-time and permanent part-time employees who have retired and are eligible to obtain Medicare and have the equivalent of 12 years (23,400 hours) full-time service shall be provided with post employment benefits in the form of health care benefits. Post-employment benefits are not provided if the employee is covered by insurance from some other source. The positions of Supervisor and Trustee shall be excluded from coverage.

These benefits are provided by contractual agreement and are paid by the General Fund. The Township funds these costs on a pay-as-you-go basis. The amounts are recorded as an expenditure when the fund liability is incurred. The benefit amounts incurred totaled \$1,062 during the year ended March 31, 2004. The total number of eligible retirees amounted to 2 individuals at March 31, 2004. By contractual agreements, the Township pays 100% of these costs. There are no provisions for employee contributions.

**C. Commitments:**

The Township entered into a two-year contract with Oakland County Equalization Division for annual assessment of real and personal property through the 2003 and 2004 tax years as required by laws of the State of Michigan. The Township will pay the County the sum of \$14.28 per year for a real property description and \$12.04 per year for a personal property description rendered during the life of the contract. Payment for each year of the contract is due by July 1 of the tax year. If the amounts under the contract are not paid, the County is entitled to reduce, set-off, and permanently retain any amount due from the Township from the delinquent tax revolving fund pay-out.

**D. Risk management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for coverage of all claims except employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township pays unemployment claims on a reimbursement basis and has set money aside to pay these claims in the MESC Special Revenue Fund. No liability for claims exists at March 31, 2004.

## **Required Supplementary Information**

**Southfield Township**  
**Schedule of Departmental Expenditures**  
**And Operating Transfers Out**  
**General Fund**  
**For the Year Ended March 31, 2004**  
**With Comparative Totals For March 31, 2003**

	Township Board	Supervisor	Elections
Personnel services	\$ 1,845	\$ 21,996	\$ -
Overtime	-	-	-
Social Security	141	1,683	-
Hospitalization	-	-	-
Life and disability insurance	465	116	-
Retirement contribution	-	-	-
Longevity	-	-	-
Supplies	-	43	174
Audit	-	-	-
Telephone	-	193	-
Legal notices	811	-	-
Data processing	-	-	-
Miscellaneous	219	-	1,059
Insurance - other and reimbursements	-	-	-
Transportation	-	12	-
Custodian	-	-	-
Utilities	-	-	-
Micro filming	-	-	-
Repairs and maintenance	-	-	-
Heat	-	-	-
Purchases - building, vehicles and equipment	-	-	-
Veterinary services	-	-	-
Legal	-	-	-
Dues and memberships	5,077	360	-
Education	-	-	-
Postage	-	-	2,000
Board of review meals	-	302	-
Maintenance agreement	-	-	-
Tax appeals	-	-	-
Dog license notices	-	-	-
Property assessing and reappraisal	-	-	-
Animal control contract services	-	-	-
Operating transfers out	-	-	-
	<u>\$ 8,558</u>	<u>\$ 24,705</u>	<u>\$ 3,233</u>

Assessor	Clerk	Treasurer	Building and Grounds	Animal Control	Capital Outlay and Other
\$ -	\$ 90,684	\$ 98,851	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	7,216	7,639	-	-	-
-	24,480	17,384	-	-	-
-	1,128	1,209	-	-	-
-	9,089	8,344	-	-	-
-	1,900	1,000	-	-	-
-	1,596	2,162	-	-	-
-	2,968	2,968	-	-	-
-	965	1,271	-	-	-
217	174	109	-	-	-
517	-	301	-	-	-
-	156	115	-	-	-
-	-	-	-	-	10,340
-	984	701	-	-	-
-	-	-	3,720	-	-
-	-	-	3,227	-	-
-	-	102	-	-	-
-	-	350	3,436	-	22,542
-	-	-	685	-	-
3,885	876	4,671	-	-	4,470
-	-	-	-	1,087	-
2,474	-	-	-	-	1,464
-	215	294	-	-	-
-	1,000	1,963	-	-	-
2,789	2,006	3,650	-	1,600	-
-	-	-	-	-	-
-	-	-	5,048	-	-
108	-	-	-	-	-
-	-	-	-	891	-
99,067	-	-	-	-	800
-	-	-	-	64,975	-
-	257	513	-	-	-
\$ 109,057	\$ 145,694	\$ 153,597	\$ 16,116	\$ 68,553	\$ 39,616

(continued)

**Southfield Township**  
**Schedule of Departmental Expenditures (continued)**  
**And Operating Transfers Out**  
**General Fund**  
**For the Year Ended March 31, 2004**  
**With Comparative Totals For March 31, 2003**

	<b>Totals</b>	
	<b>2004</b>	<b>2003</b>
Personnel services	\$ 213,376	\$ 215,311
Overtime	-	1,768
Social Security	16,679	16,360
Hospitalization	41,864	38,230
Life and disability insurance	2,918	2,860
Retirement contribution	17,433	16,705
Longevity	2,900	3,200
Supplies	3,975	6,628
Audit	5,936	5,500
Telephone	2,429	2,522
Legal notices	1,311	2,905
Data processing	818	1,531
Miscellaneous	1,549	1,742
Insurance - other and reimbursements	10,340	9,301
Transportation	1,697	2,084
Custodian	3,720	4,905
Utilities	3,227	3,774
Micro filming	102	103
Repairs and maintenance	26,328	4,802
Heat	685	625
Purchases - building, vehicles and equipment	13,902	38,578
Veterinary services	1,087	814
Legal	3,938	4,617
Dues and memberships	5,946	5,959
Education	2,963	3,613
Postage	12,045	11,770
Board of review meals	302	203
Maintenance agreement	5,048	3,517
Tax appeals	108	392
Dog license notices	891	867
Property assessing and reappraisal	99,867	94,284
Animal control contract services	64,975	61,935
Operating transfers out	770	6,770
	<b>\$ 569,129</b>	<b>\$ 574,175</b>



**Southfield Township**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**Year Ended March 31, 2004**

	<b>General Fund</b>			
	<b>Budget</b>		<b>Actual</b>	<b>Variance- Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes	\$ 510,000	\$ 510,000	\$ 518,679	\$ 8,679
Licenses and permits	4,500	4,500	5,758	1,258
Intergovernmental:				
State	1,700	1,700	1,972	272
Charges for services	9,930	9,930	9,930	-
Interest	30,000	30,000	15,460	(14,540)
Miscellaneous	800	800	910	110
Total revenues	556,930	556,930	552,709	(4,221)
<b>Expenditures:</b>				
Current:				
General government:				
Township Board	11,200	11,200	8,558	2,642
Supervisor	25,375	25,375	24,705	670
Election	16,925	16,925	3,233	13,692
Assessor	113,000	113,000	109,057	3,943
Clerk	159,550	159,550	145,437	14,113
Treasurer	157,800	157,800	153,084	4,716
Township hall and grounds	22,200	22,200	16,116	6,084
Animal control	68,800	68,800	68,553	247
Other	32,500	55,100	39,616	15,484
Total expenditures	607,350	629,950	568,359	61,591
Excess (deficiency) of revenues over expenditures	(50,420)	(73,020)	(15,650)	57,370
Other financing uses:				
Operating transfers out	(850)	(850)	(770)	80
Total other financing uses	(850)	(850)	(770)	80
Excess (deficiency) of revenues over expenditures and other uses	(51,270)	(73,870)	(16,420)	57,450
Fund balance at beginning of year	1,036,885	1,036,885	1,036,885	-
<b>Fund balance at end of year</b>	<b>\$ 985,615</b>	<b>\$ 963,015</b>	<b>\$ 1,020,465</b>	<b>\$ 57,450</b>

## **Combining Fund Statements**

**Southfield Township  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2004  
With Comparative Totals for March 31, 2003**

	<b>MESC Distribution</b>	<b>Capital Improvement</b>	<b>Capital Purchase</b>	<b>Totals</b>	
				<b>2004</b>	<b>2003</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 51,424	-	\$ -	\$ 51,424	\$ 50,275
Investments	-	12,390	22,145	34,535	41,111
Due from other funds	-	5	-	5	-
	<u>\$ 51,424</u>	<u>\$ 12,395</u>	<u>\$ 22,145</u>	<u>\$ 85,964</u>	<u>\$ 91,386</u>
<b>Fund Balance</b>					
Reserved for MESC distribution	\$ 51,424	\$ -	\$ -	\$ 51,424	\$ 50,275
Reserved for capital improvements	-	12,395	-	12,395	19,166
Reserved for capital purchases	-	-	22,145	22,145	21,945
Total fund balance	<u>\$ 51,424</u>	<u>\$ 12,395</u>	<u>\$ 22,145</u>	<u>\$ 85,964</u>	<u>\$ 91,386</u>

**Southfield Township**  
**Combining Statement of Revenues, Expenditures**  
**And Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended March 31, 2004**  
**With Comparative Totals for March 31, 2003**

	Special Revenue			Totals	
	MESC Distribution	Capital Improvement	Capital Purchase	2004	2003
Revenue - interest	\$ 379	\$ 174	\$ 200	\$ 753	\$ 882
Expenditures-capital outlay	-	6,945	-	6,945	-
Excess (deficiency) of revenues over expenditures	379	(6,771)	200	(6,192)	882
Other financing sources - Operating transfers in	770	-	-	770	6,770
Excess (deficiency ) of revenues and other sources over expenditures	1,149	(6,771)	200	(5,422)	7,652
Fund balance beginning of year	50,275	19,166	21,945	91,386	83,734
<b>Fund balance end of year</b>	<b>\$ 51,424</b>	<b>\$ 12,395</b>	<b>\$ 22,145</b>	<b>\$ 85,964</b>	<b>\$ 91,386</b>

**Southfield Township**  
**Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance**  
**Budget and Actual - MESC Distribution Fund**  
**Year Ended March 31, 2004**

	MESC Distribution			
	Budget		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Interest	\$ 250	\$ 250	\$ 379	\$ 129
<b>Expenditures:</b>				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	250	250	379	129
<b>Other financing sources:</b>				
Operating transfers in	770	770	770	-
Excess (deficiency) of revenues and other sources over expenditures	1,020	1,020	1,149	129
Fund balance at beginning of year	50,275	50,275	50,275	-
<b>Fund balance at end of year</b>	<b>\$ 51,295</b>	<b>\$ 51,295</b>	<b>\$ 51,424</b>	<b>\$ 129</b>

**Southfield Township**  
**Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance**  
**Budget and Actual - Capital Improvement Fund**  
**Year Ended March 31, 2004**

	Capital Improvement			
	Budget		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Interest	\$ 200	\$ 200	\$ 174	\$ (26)
<b>Expenditures:</b>				
Capital outlay	200	7,200	6,945	255
Total expenditures	200	7,200	6,945	255
Excess (deficiency) of revenues over expenditures	-	(7,000)	(6,771)	229
<b>Other financing sources:</b>				
Operating transfers in	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures	-	(7,000)	(6,771)	229
Fund balance at beginning of year	19,166	19,166	19,166	-
<b>Fund balance at end of year</b>	<b>\$ 19,166</b>	<b>\$ 12,166</b>	<b>\$ 12,395</b>	<b>\$ 229</b>

**Southfield Township**  
**Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance**  
**Budget and Actual - Capital Purchase Fund**  
**Year Ended March 31, 2004**

	<b>Capital Purchase</b>			
	<b>Budget</b>		<b>Actual</b>	<b>Variance- Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Interest	\$ 250	\$ 250	\$ 200	\$ (50)
<b>Expenditures:</b>				
Capital outlay	250	250	-	250
Total expenditures	250	250	-	250
Excess (deficiency) of revenues over expenditures	-	-	200	200
<b>Other financing sources:</b>				
Operating transfers in	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures	-	-	200	200
Fund balance at beginning of year	21,945	21,945	21,945	-
<b>Fund balance at end of year</b>	<b>\$ 21,945</b>	<b>\$ 21,945</b>	<b>\$ 22,145</b>	<b>\$ 200</b>

June 18, 2004

Members of the Township Board  
Southfield Township  
Oakland County, Michigan

We have audited the financial statements of Southfield Township (the Township) for the year ended March 31, 2004, and have issued our report thereon dated June 18, 2004. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter dated January 12, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Southfield Township are described in Note 1 to the general purpose financial statements. During the year ended March 31, 2004, the GASB Statement No. 34 reporting model was adopted. We noted no transactions entered into by Southfield Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Southfield Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We posted adjustments to payables, pension investment, and accrued wages.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be



significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Southfield Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

#### **Status of Prior Year Comments**

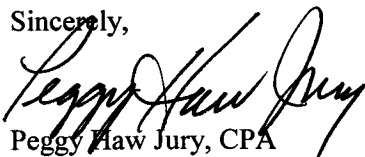
The Township still needs to adopt an official capitalization policy for fixed assets as well as lives for fixed assets.

#### **Current Year Comments**

We recommend the Township establish a written policy regarding conflicts of interest. A specific policy on conflict of interest would specify that personnel in a position of trust are not related to each other; that employees are prohibited from having business dealings with companies affiliated with, or acting as major customers or suppliers of, the governmental unit; that transactions with officials of the governmental unit are adequately controlled and disclosed in the records; and that such transactions occur only in the normal course of business and are legally authorized.

We appreciate the opportunity to present this letter for your analysis and review. This letter is intended solely for internal management and should not be used for any other purpose. We would also like to express our appreciation for the cooperation extended to our staff by the Township's personnel during the course of the audit. If you have any questions regarding the contents of this letter, please contact us.

Sincerely,



Peggy Haw Jury, CPA  
Principal

Flint Office